

Fiscal Services Division
Legislative Services Agency
Fiscal Note

SF 2181 - Organic Farming Property Tax Exemption (LSB 5743 SS)
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Fiscal Note Version - New
Requested by Senator Joe Bolkcom

Description

Senate File 2181 makes agricultural land certified as organic land by the Iowa Department of Agriculture and Land Stewardship exempt from property taxes for assessment years beginning after January 1, 2007. The Bill provides that the State mandate provision in Section 25B.7, Code of Iowa, does not apply.

Assumptions

1. There are approximately 100,000 acres of agricultural land certified as organic, all of which is assumed to be subject to the rural property tax levy.
2. The value per acre is \$675 which takes into account the productivity factor, yielding a taxable value of \$67.5 million.
3. The FY 2006 consolidated rural tax rate is \$26.50 per \$1,000 of taxable valuation. The Statewide Foundation Property Tax rate (Uniform Levy and Additional Levy combined) is \$10.41.
4. The Uniform Levy is \$5.40. The reduction in Uniform Levy revenues from the property tax exemption will be offset by a corresponding increase in State Foundation Aid for the affected school districts. The Additional Levy property tax rates will be adjusted upward to offset the valuation reduction and raise the same required revenues for the affected school districts.
5. To the extent that local taxing authorities are not at their limits, property tax rates will be increased to offset the decrease in taxable valuation.

Fiscal Impact

The property tax exemption in Senate File 2181 could reduce revenues for those local entities levying property taxes, except for school districts, by an estimated maximum \$1.1 million annually. This amount may be offset by increased property tax rates for those entities not at their taxing limit.

State Foundation Aid will increase by an estimated \$365,000 to offset the reduction in Uniform Levy revenues. Additional Levy rates will increase to continue to raise \$338,000 per year.

Sources

Iowa State Association of Counties
Iowa Department of Agriculture and Land Stewardship

/s/ Holly M. Lyons

February 22, 2006

The fiscal note and correctional impact statement for this bill was prepared pursuant to Joint Rule 17 and pursuant to Section 2.56, Code of Iowa. Data used in developing this fiscal note and correctional impact statement are available from the Fiscal Services Division, Legislative Services Agency to members of the Legislature upon request.
